

Agency 107

Washington State Health Care Authority**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	274.0		553,420	553,420
Total Maintenance Level	272.8		616,558	616,558
Difference	(1.2)		63,138	63,138
Percent Change from Current Biennium	(0.4)%		11.4%	11.4%
Performance Changes				
Flexible Spending Accounts #	1.5		346	346
Public Employees Program Support			500	500
Middle Management Reduction	(3.7)		(412)	(412)
Review Evidence-Based Purchasing			221	221
Prescription Purchasing Consortium #	5.0		989	989
Small Business Assist Program #	3.3		724	724
General Inflation			(170)	(170)
Insurance Eligibility/Accounting System Upgrade	1.5		7,922	7,922
Medicare Modernization Act Impacts #	2.3		479	479
Enhance UMP Clinical and Provider Management	3.0		570	570
Subtotal	12.8		11,169	11,169
Total Proposed Budget	285.6		627,727	627,727
Difference	11.6		74,307	74,307
Percent Change from Current Biennium	4.2%		13.4%	13.4%
Total Proposed Budget by Activity				
Administrative Activity	83.6		25,459	25,459
Community Health Services	5.1		24,108	24,108
Prescription Drug Program	8.0		3,359	3,359
Health Care Planning	9.0		2,373	2,373
Health Insurance - Adults between 100-200% of poverty level	41.1		214,667	214,667
Health Insurance - Adults below 100% of poverty level	46.8		262,126	262,126
Health Insurance - Children between 100-200% of poverty level	6.5		12,770	12,770
Health Insurance - Children below 100% of poverty level	12.6		24,700	24,700
Public Employee Benefits	46.7		9,005	9,005
Uniform Dental Plan			9,486	9,486
Uniform Medical Plan	26.6		35,808	35,808
Insurance Safety Net	3.3		3,281	3,281
Compensation Cost Adjustment			997	997
Middle Management Reduction	(3.7)		(412)	(412)
Total Proposed Budget	285.6		627,727	627,727

HUMAN SERVICES - OTHER

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Flexible Spending Accounts #

The 2004 collective bargaining tentative agreements extended the availability of flexible spending accounts (FSAs) from a limited pilot in higher education to broader availability to include general government state employees. House Bill 1286 provides the statutory authority for these accounts to be put into place. FSAs are plans that allow employees to defer pre-tax income, and subsequently, spend those tax-free dollars on qualified health expenditures. The administrative cost of the program will be paid for by state agencies according to the degree of participation of their employees. It is assumed for the 2005-07 Biennium that agencies' savings on Federal Insurance Contributions Act (FICA) payments will cover the costs charged to them as the agencies' tax liability will be lower for employees who are deferring pre-tax income. The Health Care Authority will administer the program and bill agencies directly for their participation. (Health Care Authority Administration Account-State)

Public Employees Program Support

In Fiscal Year 2007, the employers will pay one state funding rate for employee insurance benefits for represented employees and another for non-represented employees. Information system changes will need to be made in Fiscal Year 2006 to accommodate the change in the following fiscal year. (Health Care Authority Administration Account-State)

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

Review Evidence-Based Purchasing

The Agency Medical Directors' Group (AMDG) has devised a pilot to strengthen the capacity of the AMDG's member agencies to obtain and evaluate scientific evidence regarding new health care procedures, services, and technology. The pilot will allow agencies to coordinate their evaluations and will support additional progress in the area of evidence-based health purchasing. Participating agencies are the Health Care Authority, DSHS' Medical Assistance Administration, the Department of Labor and Industries, the Department of Corrections, and the Department of Veterans' Affairs. The cost of the project is split among the agencies based on their proportion of state health expenditures. (Health Care Authority Administrative Account-State)

Prescription Purchasing Consortium #

House Bill 1219 (Senate Bill 5471), if enacted, establishes a prescription drug purchasing consortium. The Health Care Authority, through the consortium, will explore opportunities to expand on the state's evidence-based prescription drug program created in 2003. The consortium will explore, among other options, joint purchasing opportunities with other states, and will accommodate voluntary participation by units of local government and private entities. An 11-member prescription drug consortium advisory committee will advise the administrator on the implementation of the consortium. (Health Services Account-state)

Small Business Assist Program #

House Bill 2069 (Senate Bill 6018), if enacted, establishes the Small Business Assist and the Premium Assistance programs. The Small Business Assist program offers a health care coverage option through Basic Health's (BH) program administration to employees and dependents of small employers, if the employer has not provided health care coverage for at least six months at the time of application. The initial benefit option offered will be the same as the current regular BH schedule, and the employer would pay the plan rate plus the state premium tax and administrative costs. The Health Care Authority (HCA) may design additional benefit schedules, including a high deductible option. In addition, the Premium Assistance program will offer a subsidy to eligible employees of small employers, to help pay their member premiums when they enroll in their employer's health plan. The amount of subsidy an employee receives will be the lesser of his entire member premium or the state subsidy that would be received if enrolled in the Basic Health program. Fees paid by participants will cover the agency's administrative costs, but initial start-up costs will be funded from the Health Services Account and recouped through subsequent fee-generated revenue. (Health Services Account-state)

Insurance Eligibility/Accounting System Upgrade

The Health Care Authority (HCA) currently supports benefits administration and insurance accounting for the Public Employees Benefits Board (PEBB) and other core operations on mainframe-based application systems that are over ten years old. The PEBB system has been part of the Department of Personnel's payroll system, which is now being replaced with the Human Resources Management System. Following satisfactory completion of an updated feasibility study and an enterprise software due diligence exercise, the HCA will begin acquisition and implementation of a replacement benefit administration and insurance accounting system(s) to support current and future business requirements and provide an electronic commerce environment by deploying current, flexible, and more cost-effective technology. (General Fund-Federal, Health Care Authority Administrative Account-State, Health Services Account-State)

Medicare Modernization Act Impacts #

In December 2003, Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). MMA is a comprehensive reform of Medicare with provisions that affect PEBB Medicare retirees. Starting in January 2006, Medicare will offer a prescription drug benefit, "Medicare Part D." Medicare will also offer incentives to employers who currently provide prescription drug coverage benefits to their retirees to continue offering those benefits, assuming they are actuarially equivalent to the new Part D coverage. The additional spending authority in the Health Care Authority Administrative Account represents the administrative cost of implementing the changes. (Health Care Authority Administrative Account-State)

Enhance UMP Clinical and Provider Management

The Uniform Medical Plan (UMP) will enhance clinical and provider management activities in the following ways: Establishment of an integrated database to coordinate, track, and document complaints and coverage issues such as appeals, prior authorizations, and other clinical decisions; expanded collaborative pilot projects to reward health care providers who deliver cost-effective care; and enhanced provider reimbursement systems to control costs and ensure appropriate payment levels for additional types of medical services. (Health Care Authority Administrative Account-State)

ACTIVITY DESCRIPTIONS

Administrative Activity

This activity consists of the major functions that support the other activities: management of the organization; communication with clients and other stakeholders; accounting and finance; human resources management; information services support; agency medical director; and building management and safety issues. In addition, this activity provides the core administrative support for the Basic Health Plan (BHP), Washington State Health Insurance Pool (WSHIP), and Health Care Tax Credit (HCTC). (Health Services Account-State; State Health Care Authority Administrative Account-State; General Fund-Federal)

Community Health Services

The Health Care Authority (HCA) funds community health clinics through a direct grant program to promote and ensure access to medical and dental care for the under-insured, uninsured, and migrant populations. Funding is further targeted to provide services to those health clinic patients who are below 200 percent of poverty level, and to serve as the state's final safety net for low-income individuals. (Health Services Account-State)

Prescription Drug Program

This activity provides coordination for the three state agencies that engage in major prescription drug purchasing: the Department of Social and Health Services (Medical Assistance Administration), the Health Care Authority, and the Department of Labor and Industries. This activity includes the development and maintenance of a preferred drug list and consolidated purchasing where possible. Savings will be gained by purchasing drugs that are proven to be the most cost-effective. Also, funding is provided for education and outreach for people who lack prescription drug coverage, so that they can learn about and access programs that offer free or discounted prescription drugs, and for a senior discount prescription drug program. (State Health Care Authority Administrative Account-State, Health Services Account-State, General Fund-Federal, Accident and Medical Aid Account)

Health Care Planning

The Health Care Authority engages in health care planning by conducting purchasing and policy studies, surveys, evaluations, impact analyses, and planning. This includes the planning and coordination of the annual health care procurement for the Basic Health Program and for public employees and retirees. (Health Services Account-State, General Fund-Federal)

Health Insurance - Adults between 100-200% of poverty level

The Basic Health Plan provides a basic health insurance package for adults who are otherwise uninsured and whose income is between 100 percent and 200 percent of the federal poverty level. The state offers reduced rates for low-income Washington residents. Enrollees also pay portions of the premium costs based on income level and family size. (Health Services Account-State, Basic Health Plan Trust Account-Nonappropriated, General Fund-Federal)

Health Insurance - Adults below 100% of poverty level

The Basic Health Plan provides a basic health insurance package for adults who are otherwise uninsured and whose family income falls under the federal poverty level. The state offers reduced rates for low-income Washington residents. Enrollees also pay portions of the premium costs based on income level and family size. (Health Services Account-State, Basic Health Plan Trust Account-Nonappropriated, General Fund-Federal)

Health Insurance - Children between 100-200% of poverty level

The Basic Health Plan provides a basic health insurance package for children who are otherwise uninsured and whose family income is between 100 percent and 200 percent of the federal poverty level. The state offers reduced rates for low-income Washington residents. Enrollees also pay portions of the premium costs based on income level and family size (Health Services Account-State, Basic Health Plan Trust Account-Nonappropriated, General Fund-Federal)

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Public Employee Benefits

The Health Care Authority's Public Employees Benefits Board (PEBB) was created by the 1988 Legislature to develop state employee benefit plans, study matters connected with the provision of these benefits, and encourage cost containment. The PEBB program provides health, life, long-term disability (LTD), accidental death and dismemberment, long-term care, and auto and homeowners' insurance benefits for Washington State and higher education active employees, dependents, and retirees, as well as active and retired employees of participating public school districts, Educational Service Districts (K-12), and political subdivisions. PEBB offers members several managed care health plans and the Uniform Medical Plan, a self-insured, preferred provider plan. In addition, three dental plans (two managed care and the Uniform Dental Plan) are offered. (Health Care Authority Administrative Account-State)

Uniform Dental Plan

The Uniform Dental Plan (UDP) is a preferred provider organization administered by Washington Dental Services (WDS) on behalf of the Public Employees Benefits Board (PEBB). WDS provides enrollment services, claims processing, and customer service for enrollees in the Uniform Dental Plan. (Uniform Dental Plan Benefits Administration Account-Nonappropriated)

Uniform Medical Plan

The Uniform Medical Plan (UMP) is a self-insured, preferred provider medical plan which is offered to Public Employees Benefit Board (PEBB) enrollees, along with contracted managed care plans. It currently has the largest enrollment among the PEBB medical plans. Coverage is available throughout Washington State and worldwide. UMP also administers UMP Neighborhood, a limited-network pilot product offering lower premiums for choosing cost-effective health care providers. Nonappropriated funds from the UMP Benefits Administration Account support contracts with a third party administrator and pharmacy benefits manager for claims processing, pharmacy network management, customer service for both enrollees and providers, medical review, first level appeals, and case management. Other benefits administration costs include contracted data management systems, access fees for alternative care and out-of-state provider networks, and printing and postage for enrollee communications. Funds from the Health Care Authority Administrative Account support staff and related costs needed for management of the UMP's provider network, including provider credentialing and maintenance of contracts with approximately 16,000 health care providers; development of provider fee schedules and reimbursement policies; leadership of clinical programs and decisions on second-level appeals; implementation of the Patients' Bill of Rights, including quality improvement and utilization management programs based on national standards; provider communications such as newsletters and billing manuals; oversight of claims administration contracts and other vendors; and overall plan administration. (Health Care Authority Administrative Account-State, Uniform Medical Plan Benefits Administration Account-Nonappropriated)

Insurance Safety Net

As part of this program, subsidies are provided to eligible Washington State Health Insurance Pool (WSHIP) members. As directed in state law (RCW 70.47), the program provides funding to reduce the cost of high-risk pool insurance for individuals whose income is less than 300 percent of the federal poverty level, who are between 50 and 64 years old, and who have been denied individual health insurance. For the 2005-07 Biennium, \$62,000 is budgeted for WSHIP grants, and \$2,433,395 is budgeted for the Health Care Tax Credit (HCTC). (Health Services Account-State)

Beginning January 2005, the HCTC part of this program provides health care coverage for certain workers (and members of their families) who lose their jobs due to the effects of international trade. Their eligibility is determined by the federal government under the Federal Trade Act of 2002 (NAFTA). The federal government will subsidize the individual's health insurance at 65 percent of the total premium, and the individual will pay the balance. There is no cost to the state. (Basic Health Plan Subscription Account-State)

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.